

# Other Regulatory Information

Michigan Department of Education  
Office of School Support Services – School Nutrition Programs  
November 2013



# Agenda

- Prepayment of Meals
- Student Meal Prices
- Paid Lunch Equity
- Non-Program Foods and Pricing
- Adult Meal Pricing
- On-Site (Self- monitoring) Reviews
- Replacing and Denying Meals
- Student/Parent Involvement



# Prepayment of Meals

- It is important that students are able to prepay for meals in a common location, at designated times during the day/week so that overt identification is prevented.
- Prepayment of meals must be advertised – signs in serving area, with materials going home to parents, online, etc.



# Student Meal Prices

- Meals for eligible students must be served free or at a reduced price.
  - Maximum reduced price for lunch is 40 cents
  - Maximum reduced price for breakfast is 30 cents
- Neither the United States Department of Agriculture (USDA) nor the Michigan Department of Education (MDE) set specific paid prices for school lunch, breakfast, special milk or a la carte food items. USDA does require districts to increase their lunch prices on an annual basis if their average weighted price does not meet a specific threshold (Paid Lunch Equity).



# Unit Pricing

- School meals must be priced as a unit (paid or reduced price).
- Offer versus Serve (OVS) does not affect the unit price of the meal established by the school food authority (SFA).
- Regardless of the number of items students select, they must pay the established unit price for a reimbursable meal.
  - Check your a la carte pricing first





# Paid Lunch Equity

- If an SFA's average weighted paid lunch price is less than the difference between the federal free and federal paid meal reimbursements, it must increase the average paid lunch price by 2% plus inflation by either:
  - Increasing the price charged to children
  - OR
  - Adding non-federal funds to the food service account

\* See example in book for calculating average weighted price. This may be completed in the PLE tool as well.



# Paid Lunch Equity Average Price Calculation Example

Number of Paid Lunches claimed at each price for October	Price Charged for Paid Lunches	Revenue Generated by Paid Lunch Price (Column A x Column B)	Determine Average Price
1,000	\$1.25	\$1,250	
2,000	\$1.50	\$3,000	
1,500	\$2.00	\$3,000	
3,000	\$2.25	\$6,750	
Total Lunches: 7,500		Total Revenue: \$14,000	$14,000 / 7,500$ <b>= \$1.87</b>



# Paid Meal Equity Overview

- SFAs compare the average price for paid lunches at all of their schools to the difference between the per meal federal reimbursement for free and paid lunches.
  - - The 2011-2012 free meal reimbursement rate is \$2.86
  - - The 2011-2012 paid meal reimbursement rate is \$0.27
  - -  $\$2.86 - \$0.27 = \$2.59$  difference
    - **\$2.59 is the 2013-2014 target price**
    - **\$2.65 is the 2014-2015 target price**

- \*\*The difference is the same if you are a “severe need” district





# SY 2014-15 PLE Calculations

- Paid Lunch Equity (PLE) is an annual calculation
- For SY 2014-2015, SFAs which, on average, charge less than **\$2.65** for paid lunches are required to adjust their weighted average lunch price or add non-Federal funds to the non-profit school food service account



# SY 2013-2014 PLE Inflation Factor

- The amount of the per meal increase will be calculated using 2 percent plus the inflation factor of 2.93 percent, for a total of **4.93** percent
- The inflation factor for SY 2014-2015 is from the July 24, 2013 Federal Register Notice announcing the SY 2013-2014 reimbursement rates



# Meeting the Annual PLE Requirement

- SFAs may round the adjusted average price down to the nearest five cents.
- For example, an SFA charged \$1.50 for all paid lunches and the calculation for SY 2013-2014 resulted in an adjusted average paid lunch price of \$1.574.
- The SFA chose to round the \$1.574 down to the nearest five cents or \$1.55.
- This SFA met the requirement for SY 2011-2012 even though the price was not raised to the full \$1.57.



# Basis for Determining Average Paid Lunch Price SY 2013-2014

- SFAs use their unrounded adjusted average paid lunch price requirement from the previous SY as the basis for the subsequent SY
- For example, if the result of the SY2013-2014 calculation was \$2.08; that is the unrounded **adjusted** average paid lunch price. This SFA may have likely rounded down to average price of \$2.05
- However, the SY 2013-2014 PLE tool begins with the unrounded figure of \$2.08
- Therefore, the 4.93% is applied to the \$2.08 (\$2.186) and not \$2.05





# Increasing Average Lunch Price Above Required Level

- If an SFA raised its average paid lunch price above the required rounded amount in SY 2013-2014, that excess paid lunch price increase is credited towards meeting the SY 2014-2015 paid lunch price requirement
- SFAs must keep sufficient records to document and carry forward the average paid lunch price calculations



# Not Meeting PLE Requirement

- If an SFA did not raise its average adjusted paid lunch price sufficiently to meet the required amount in SY 2013-2014, the shortfall is included in the calculation for the SY 2014-2015 paid lunch price adjustment requirement.



# Next Steps by the School Food Authority

- The maximum required annual average paid lunch price increase is capped at 10 cents.
  - SFAs can elect to increase their average paid lunch price by more than the calculation requires
- Under Section 205, the SFA would never be **REQUIRED** to increase its average lunch price by more than 10 cents



# SY 2014-2015 Non-Federal Sources

- For SY 2014-2015 and beyond, SFAs may use non-Federal sources that are provided to directly support paid lunches and breakfasts.
- Unallowable Non-Federal Sources - In-kind contributions, A la carte sales, Catering
- Allowable:
  - Therefore, for SY 2013-2014 SFAs may count as a non-Federal Source:
    - 1. Per-meal non-federal reimbursement for any paid meal (breakfast, lunch, etc)
    - 2. Any funds provided by organizations for any paid meal
    - 3. Any proportion attributable to paid meals from direct payments made from school district funds to support lunch service





# SFAs that Provided Non-Federal Sources in SY 2012-2013

- If an SFA's SY 2012-2013 estimate of the required contribution exceeded the actual level, that excess contribution may be subtracted from the total SY 2014-2015 contribution requirement.
- Further, if the SY 2012-2013 estimate was less than required, additional funds from non-Federal sources must be added.



# SY 2014-2015 PLE Tool

- The SY 2014-2015 PLE tool, taking into account credits or shortfalls from SY 2013-2014, makes the following calculations:
  - Weighted average paid lunch price for SY 2013-2014
  - Required paid lunch price increase for SY 2014-2015
  - Required non-Federal source contribution required for SY 2014-2015 (if chosen in lieu of raising prices)



# Potential Exemption to PLE

- USDA is allowing SFAs that are in a strong financial position to be exempt from raising prices
- SFAs need to request this exemption from MDE
- MDE will evaluate the overall financial position of the SFA in determining the requirement of raising prices under PLE
- In most cases, a non-profit food service account with more than 2.5 months operating expenses will be considered in a strong financial position
- MDE will try to avoid putting districts over 3 months expenses by raising prices



# Paid Lunch Equity Exemption

- There are several additional areas MDE will want to look at prior to exemption approval
  - Is the program 6 Cent Certified?
  - Is the district taking steps toward being in compliance with the Smart Snacks requirements?
  - Are there any outstanding fiscal actions with the SFA?
  - Are meal standards being followed and will the SFA continue to be able to without a price increase?
  - Quality, health, and appeal of meals such as expanding fruit/veg offerings? Or by using Salad Bars?
  - Does the school show significant participation rates?
  - Does the school have a Local Wellness Policy?
  - Is overt identification avoided?





# SY 2014-2015 PLE Tool

- ALL SFAs need the following data to calculate the Weighted Average Price for SY 2013-2014:
  - SY 2012-13 Weighted Average Price
  - All paid lunch prices for October 2013
  - Number of paid lunches served associated with each paid lunch price in October 2013



# SY 2012-13 PLE Tool Non-Federal

- SFAs that have opted to contribute non-Federal sources also need:
  - Total number of paid lunches served in SY 2011-12
  - The total dollar amount of SY 2012-13 non-Federal contribution



# SY 2012-13 PLE Tool

- Includes detailed user instructions
- Includes a report that SFAs can use to track the information they will need to make their SY 2013-2014 calculations
- SFAs can print the report and keep it in their records



# PLE Resources

## Links to information:

- **Paid Lunch Equity Policy Memo**
- <http://www.fns.usda.gov/sites/default/files/SP58-2013os.pdf>
- **Paid Lunch Equity Tool**
- [www.michigan.gov/schoolnutrition](http://www.michigan.gov/schoolnutrition)





# Revenue From Non-Program Food

- Intent: To ensure that revenues from the sale of non-program foods generate at least the same proportion as they contribute to SFA food costs



# Revenue From Non-Program Food

- A non-program food is sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account



# Revenue From Non-Program Food

- To implement this requirement SFAs will need to:
  - Identify the proportion of total food costs attributable to non-program food in order to establish its revenue target
  - Price non-program food items to ensure that revenues will meet the requirement
  - Track non-food program revenues separately from all other revenue items



# Revenue From Non-Program Food

- Example
  - SFA has the following characteristics
    - Total Costs: \$1,000,000
    - Total Food Costs: \$500,000
      - Non-Program Food Costs: \$50,000
      - Reimbursable Food Costs: \$450,000
    - Total Revenue: \$1,000,000





# Revenue From Non-Program Food

- Revenue Requirement:
  - Minimum Proportion of Revenue from Non-program Food Sales:  $\$50,000/\$500,000 = 10\%$
  - Minimum Dollar Revenue Required from Non-program Food Sales;  $10\% \times \$1,000,000 = \$100,000$
- If this SFA earns \$100,000 in revenue from non-program food sales, it is in compliance



# Non-Program Foods

- Keep track of your non-program revenues – which is basically all revenues except for paid meals, \$.40 for reduced lunch, \$.30 for reduced breakfast, all reimbursements.
- It would include ala carte, catering, booster sales, etc.
- And separately keep track of all non-program food costs. Assure that all SFAs make a good faith effort to comply
- FNS will be updating Administrative Review guidance to incorporate review of these requirements



# Current Recommendation

- In order to ensure you are generating the correct rate of “profit” on nonprogram foods, start with pricing items correctly
- If items are priced correctly, it is an excellent way to make sure you are in compliance with nonprogram foods
- Our website includes an Excel spreadsheet that will help you calculate your menu



# On-Site Reviews

- Now called “Self-Monitoring” reviews under the new Administrative Review
- National School Lunch/School Breakfast Program
  - All buildings at least once each year before February 1
  - Sample in Manual
- School employees must conduct reviews





# Self Monitoring Reviews

- After School Snack Program
  - All sites two times per year
    - First review in the first four weeks of operation
    - Second review in the second half of the school year
- School employees must conduct reviews



# School Policy Guidelines for Replacing and Denying Meals

- It is a local decision as to whether or not students are allowed to charge meals.
- Regulations do prohibit schools from denying meals as a form of disciplinary action against free, reduced, or paid students.
- Alternate meals may be reimbursable or non-reimbursable.
- If a student has a balance due and comes to school with payment for that day's meal, the student must be provided the meal.



# Student/Parent/Community Involvement

- A documented method of student and parent input must be obtained at least once a year and should involve representation from all school levels.
- Some sample suggestions for student involvement.
  - Menu planning
  - Enhancement to eating environment
  - Program promotion
  - Taste Testing
  - Student advisory committee
  - See more ideas in handbook



# Parent/Teacher Involvement

- Some suggest methods of involving parents
  - Parent advisory committee
  - Parent participation day
  - Grandparent visitation day
  - Questionnaires for parental input
  - Participate in parent/teacher meetings and nights
  - More ideas in handbook
- Schools that operate under a Food Service Management Company (FSMC) must establish an advisory board of students, parents, and teachers.





# Questions

- Contact MDE School Nutrition Programs at:
  - Phone: 517-373-3347  
*or*
  - E-mail: [MDE-SchoolNutrition@michigan.gov](mailto:MDE-SchoolNutrition@michigan.gov)

